

# **EXHIBIT 2**

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF OHIO  
WESTERN DIVISION

CASE NUMBER: 1:17-cv-417

VIVIAN FARRIS,

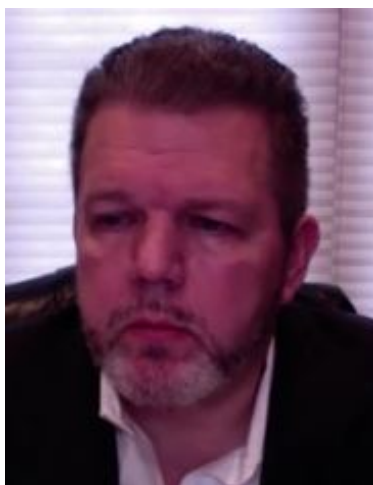
Plaintiff,

vs.

U.S. FINANCIAL LIFE

INSURANCE COMPANY,

Defendants.



TELECONFERENCE VIDEO DEPOSITION

OF

TIMOTHY C. PFEIFER


December 11, 2020

<p style="text-align: right;">Page 2</p> <p>1      <b>REPORTED BY:</b></p> <p>2                      Jan A. Mann, CSR</p> <p>3                      Veritext Legal Solutions</p> <p>4                      260 North Joachim Street</p> <p>5                      Mobile, Alabama 36603</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 4</p> <p>1                      <b>A P P E A R A N C E S</b></p> <p>2</p> <p>3      <b>APPEARING ON BEHALF OF THE PLAINTIFF</b></p> <p>4      (via teleconference):</p> <p>5                      BEASLEY ALLEN LAW FIRM</p> <p>6                      Mr. Paul Evans</p> <p>7                      Ms. Rachel N. Boyd</p> <p>8                      Mr. Dee Miles</p> <p>9                      218 Commerce Street</p> <p>10                     Montgomery, Alabama 36104</p> <p>11</p> <p>12      <b>APPEARING ON BEHALF OF THE DEFENDANT</b></p> <p>13      (via teleconference):</p> <p>14                     MCDOWELL HETHERINGTON, LLP</p> <p>15                     Mr. David McDowell</p> <p>16                     Mr. Will Thomas</p> <p>17                     1001 Fannin Street</p> <p>18                     Houston, Texas 77002</p> <p>19</p> <p>20</p> <p>21      <b>ALSO PRESENT (via teleconference):</b></p> <p>22                     Renato Velarde, Videographer</p> <p>23                     Hector Geribon</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 3</p> <p>1                      <b>S T I P U L A T I O N S</b></p> <p>2</p> <p>3                      <b>IT IS STIPULATED AND AGREED</b> by and between the</p> <p>4      parties through their respective counsel, that the</p> <p>5      deposition of TIMOTHY C. PFEIFER may be taken before Jan</p> <p>6      A. Mann, Commissioner, by teleconference on the 11th day</p> <p>7      of December, 2020.</p> <p>8                      <b>IT IS FURTHER STIPULATED AND AGREED</b> that the</p> <p>9      signature to and the reading of the deposition by the</p> <p>10     witness is not waived.</p> <p>11                     <b>IT IS FURTHER STIPULATED AND AGREED</b> that it</p> <p>12     shall not be necessary for any objections except as to</p> <p>13     form or leading questions, and that counsel for the</p> <p>14     parties may make objections and assign grounds at the</p> <p>15     time of the trial, or at the time said deposition is</p> <p>16     offered in evidence or prior thereto.</p> <p>17                     <b>IT IS FURTHER STIPULATED AND AGREED</b> that the</p> <p>18     notice of filing of the deposition by the Commissioner</p> <p>19     is waived.</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 5</p> <p>1                      <b>I N D E X</b></p> <p>2</p> <p>3      <b>EXAMINATION BY:</b>                      <b>PAGE</b></p> <p>4      Mr. Evans                                      7</p> <p>5      Mr. McDowell                                188</p> <p>6                      <b>INDEX OF EXHIBITS</b></p> <p>7      <b>PLAINTIFF'S EXHIBITS</b></p> <p>8      Exhibit 2 Policy                              102</p> <p>9      Exhibit 17 2015 Memorandum            138</p> <p>10     Exhibit 23 NGE Police &amp; Implementation Process 127</p> <p>11     Exhibit 38</p> <p>12     Exhibit 43 USFL 001842                    139</p> <p>13     Exhibit 68 USFL 132939-2014 NGE Statement 169</p> <p>14     Exhibit 101 Stern Report                    103</p> <p>15     Exhibit 104 ASOP 2                           70</p> <p>16     Exhibit 113 Pfeifer's Report               10</p> <p>17     Exhibit 114 Invoice                           39</p> <p>18     Exhibit 115 First Exposure Draft           65</p> <p>19     Exhibit 116 Task Force Comments        66</p> <p>20     Exhibit 117 2nd Exposure Draft of ASOP 2 73</p> <p>21     Exhibit 118 Task Force Comments        76</p> <p>22     Exhibit 119 Article                           84</p> <p>23     Exhibit 120 Article                           87</p> <p>24     Exhibit 121 Slides                           95</p> <p>25     Exhibit 122 Interrogatory Reponses      173</p>

<p style="text-align: right;">Page 126</p> <p>1 Q. In 2007 when they determined COI rate 2 increase, they would have made the COI increase to 3 attempt to restore profitability, right? 4 A. I'm not sure that I saw any evidence 5 specifically to that point, and even if they did, it's 6 irrelevant in terms of the approach taken in 2015. 7 Q. So is it your opinion that any PVFP 8 projections that were performed in 2007 are irrelevant 9 to the 2015 COI analysis? 10 MR. MCDOWELL: Objection. Asked and 11 answered. 12 A. To the extent that the company 13 reflected the COI increase that occurred in 2007, 14 which they did in the CBE stream of PVFP, that 15 established a new CBE and it's my opinion that that 16 then needs to be compared as per the redetermination 17 standard against original profitability. 18 Q. So is it your opinion that USFL correctly 19 chose the original pricing assumptions as baseline 20 instead of the 2007 assumptions because of the 21 determination policy? 22 A. That coupled with the fact that the 23 company did reflect in the CBE profit stream that the 24 CBE profitability was positively impacted by virtue of 25 the 2007 COI increase.</p>	<p style="text-align: right;">Page 128</p> <p>1 Q. Sure. And although you can't see it 2 here, that says Exhibit 23. 3 A. Okay. I believe you. 4 Q. Does this document look familiar? 5 A. It does look familiar to me. 6 Q. Okay. And then on page USFL 132951, this 7 NGE policy details two different approaches for 8 assessing NGE's. Is that right? 9 A. Two different possible approaches, 10 correct. 11 Q. All right. And one approach is the 12 component approach. Is that right? 13 A. That's correct. 14 Q. And then the other approach is the 15 integrated approach? 16 A. That is true. 17 Q. All right. And then in your report in 18 paragraph 102, you write in the first sentence that 19 Mr. Stern goes on to claim that Mr. Luber stated that 20 USFL used the integrated approach in developing the 2015 21 COI increases. Did I read that right? 22 A. Yes. 23 Q. All right. Do you dispute that USFL used 24 the integrated approach for its 2015 COI increase 25 analysis?</p>
<p style="text-align: right;">Page 127</p> <p>1 Q. How were you able to determine that the 2 CBE profit streams reflected the 2007 increases? 3 A. That, I know, was part of a discussion 4 with Mr. Luber. There may have been some other -- I 5 think that was in some of the deposition transcripts 6 as well. 7 Q. All right. Then if we go back to the 8 first part of paragraph 77, were there any documents at 9 that you reviewed where USFL defined baseline 10 assumptions as the CBE assumptions with the exception of 11 mortality? 12 A. My recollection was that that was 13 indicated in Mr. Luber's memo in March of 2015 14 describing the methodology. 15 Q. Was that understanding derived from 16 anywhere else other than that 2015 memorandum? 17 A. I believe deposition testimony as well. 18 (Whereupon, Plaintiff's 19 Exhibit 23 was previously marked 20 for identification.) 21 Q. All right. I'm now going to pull up 22 Exhibit 23 which is the NGE policy and implementation 23 process. Have you reviewed this document? 24 A. Could you page down to make sure I'm 25 familiar with the whole document?</p>	<p style="text-align: right;">Page 129</p> <p>1 A. It's my opinion that the approach used 2 in the 2015 COI change analysis was the component 3 approach. 4 Q. And what's your basis for that opinion? 5 A. I'd like to go back, if you don't mind, 6 back to the September 2014 redetermination document 7 that you just showed me. 8 Q. Sure. 9 A. So if -- 10 Q. Is this -- okay. 11 A. My opinion is based upon the 12 description of the component approach and the 13 integrated approach. These are two approaches that 14 have been defined by USFL. These are not standard 15 terminology and have standard meaning in the industry. 16 So I derived my opinion based upon these definitions. 17 And the definition of the component 18 approach is a focus on one non-guaranteed element and 19 associated assumptions that match up with that 20 non-guaranteed element and that is indeed what -- what 21 the approach that USFL took. They looked at COI 22 rates. They looked at one experience assumption by 23 itself being mortality, essentially paired the two 24 things up and held everything else constant, and to 25 me, that's the definition of the component approach.</p>

<p style="text-align: right;">Page 162</p> <p>1 wrong, but you said that USFL did different mortalities</p> <p>2 using different assumptions for expected mortality. Is</p> <p>3 that right?</p> <p>4 A. I think I testified that I have seen</p> <p>5 evidence of several different mortality analyses that</p> <p>6 took different approaches to the analysis.</p> <p>7 Q. Do you recall what those other approaches</p> <p>8 were?</p> <p>9 A. Just in terms of different expected</p> <p>10 tables, different assumed cohorts that went into the</p> <p>11 actual mortality data, those kind of variations.</p> <p>12 Q. Why -- do you know why USFL took those</p> <p>13 other approaches?</p> <p>14 A. Well, like most insurance companies, I</p> <p>15 think there is an ongoing interest in mortality</p> <p>16 experience and questions arise from management as to</p> <p>17 different ways to look at the data and understand it.</p> <p>18 So it's not unusual for a company to have looked at</p> <p>19 mortality experience under a variety of different</p> <p>20 approaches and regimes.</p> <p>21 Q. And then if we go to your report at</p> <p>22 paragraph 120, is it correct to characterize that</p> <p>23 paragraph as opining that actuaries can develop future</p> <p>24 assumptions that are untethered to past experience. Is</p> <p>25 that right?</p>	<p style="text-align: right;">Page 164</p> <p>1 and projects future events in its assumptions, would the</p> <p>2 actuary need to document where it used those future</p> <p>3 events to form the assumptions?</p> <p>4 A. I think it would -- it would be, you</p> <p>5 know, relatively common if an actuary used assumptions</p> <p>6 that were not necessarily based on experience to</p> <p>7 indicate at least in a general way what the basis for</p> <p>8 those assumptions were.</p> <p>9 Q. All right. And then you mentioned some</p> <p>10 examples you gave. You gave an example of the AIDS</p> <p>11 epidemic, right?</p> <p>12 A. Correct.</p> <p>13 Q. So an actuary creating mortality</p> <p>14 assumptions could look to AIDS to anticipate higher</p> <p>15 mortality in the future even though that insurer has not</p> <p>16 experienced an increase in claims due to AIDS. Is that</p> <p>17 a fair way to put it?</p> <p>18 A. I think -- I think you're generally</p> <p>19 correct. I guess I would be a little more specific</p> <p>20 and say this is not a hypothetical scenario. This is</p> <p>21 in fact what happened when the AIDS epidemic, you</p> <p>22 know, hit the world that insurance companies</p> <p>23 anticipated a rise in mortality before that rise in</p> <p>24 mortality occurred and began making mortality</p> <p>25 assumptions that reflected that presumption of higher</p>
<p style="text-align: right;">Page 163</p> <p>1 A. May I ask you to state the question</p> <p>2 again?</p> <p>3 Q. Sure. In paragraph 120, is it fair to</p> <p>4 characterize that paragraph as saying that actuaries can</p> <p>5 develop future assumptions that are untethered to past</p> <p>6 experience?</p> <p>7 A. I think paragraph 120 is saying that</p> <p>8 there are circumstances where an actuary, in</p> <p>9 considering anticipated future experience, will rely</p> <p>10 on other elements beyond simply past experience and</p> <p>11 may give more emphasis or more weight to anticipated</p> <p>12 future events than the past and I try to cite a few</p> <p>13 examples of that in my report.</p> <p>14 Q. So what you're saying is, is that past</p> <p>15 experience can inform future assumptions but future</p> <p>16 assumptions aren't always solely based on past</p> <p>17 experience. Is that right?</p> <p>18 A. I think that's a great way to put it</p> <p>19 and you said it probably better than I said it in my</p> <p>20 report but I think the key point is that an actuary is</p> <p>21 expected to be a thinker and anticipator and to use</p> <p>22 their background to project future events and not rely</p> <p>23 completely on the rearview mirror look of what has</p> <p>24 happened.</p> <p>25 Q. If an actuary goes beyond past experience</p>	<p style="text-align: right;">Page 165</p> <p>1 mortality.</p> <p>2 Q. When USFL was creating its CBE's for</p> <p>3 mortality -- CBE mortality assumptions, did its</p> <p>4 actuaries identify the AIDS epidemic as affecting its</p> <p>5 future assumptions of mortality?</p> <p>6 A. I didn't see any documentation</p> <p>7 concerning consideration of AIDS specifically.</p> <p>8 Q. Okay. And then the second example you</p> <p>9 gave was the COVID pandemic, right?</p> <p>10 A. Correct.</p> <p>11 Q. And then USFL could not have identified</p> <p>12 COVID as affecting its future mortality assumptions</p> <p>13 because obviously COVID hadn't happened in 2015,</p> <p>14 thankfully? Is that right?</p> <p>15 A. Was there a question in there?</p> <p>16 Q. Yeah. I mean they couldn't have</p> <p>17 predicted COVID when forming their mortality assumptions</p> <p>18 in 2015, right?</p> <p>19 A. I don't think anybody in 2015 had the</p> <p>20 belief that a worldwide pandemic was around the corner</p> <p>21 so that's a correct statement.</p> <p>22 Q. All right. So in developing its CBE</p> <p>23 mortality assumptions, did USFL identify any reason that</p> <p>24 it anticipated higher mortality experience that had not</p> <p>25 yet emerged?</p>

<p style="text-align: right;">Page 166</p> <p>1 A. I believe that the primary driver of</p> <p>2 USFL's mortality assumption was a review of experience</p> <p>3 and past experience with the anticipation that that</p> <p>4 poor experience on the mortality side was likely to</p> <p>5 continue.</p> <p>6 Q. But you can't think of any factors as you</p> <p>7 sit here today that contributed to their future</p> <p>8 mortality experience assumptions other than past</p> <p>9 experience?</p> <p>10 A. I think past experience in this case</p> <p>11 was the primary driver.</p> <p>12 Q. All right. And when a universal life</p> <p>13 product experiences adverse mortality relative to</p> <p>14 pricing, do actuaries generally try to determine the</p> <p>15 cause of that adverse mortality experience?</p> <p>16 A. It depends on the nature of the</p> <p>17 deviation from expected mortality. It depends on the</p> <p>18 role that the actuary is playing with respect to the</p> <p>19 COI change. It may be something that is part of an</p> <p>20 actuarial -- an actuary's role but not always.</p> <p>21 Q. In the situations where actuaries did</p> <p>22 attempt to determine a cause of adverse mortality</p> <p>23 experience, how would an actuary do that?</p> <p>24 A. It would likely involve a review of</p> <p>25 death claims at maybe a more granular level,</p>	<p style="text-align: right;">Page 168</p> <p>1 the pricing assumptions to determine if those</p> <p>2 assumptions were reasonable in the first place?</p> <p>3 A. It really is generally not part of a</p> <p>4 COI redetermination exercise from an actuarial</p> <p>5 perspective. I'm not saying that it hasn't happened</p> <p>6 in some COI cases where that analysis has been done</p> <p>7 but an actuary involved in COI redetermination I think</p> <p>8 has other priorities than to, you know, second guess</p> <p>9 what the original pricing mortality or any assumption</p> <p>10 might have been.</p> <p>11 Q. Are you aware of insurers that did review</p> <p>12 their pricing assumptions to determine if they were</p> <p>13 reasonable during a COI redetermination?</p> <p>14 A. I can't think of any. That may be</p> <p>15 something that would generally occur before I am</p> <p>16 engaged in an analysis so I can't think of any</p> <p>17 company, no.</p> <p>18 Q. So it's possible that a company that sees</p> <p>19 that its experience -- it's having poor experience, that</p> <p>20 it might look to their pricing assumptions to see if</p> <p>21 those had reasonable assumptions. Is that fair?</p> <p>22 A. I think your question is, is it</p> <p>23 possible? Yes, it's certain possible.</p> <p>24 Q. Would that a good practice to do or</p> <p>25 would --</p>
<p style="text-align: right;">Page 167</p> <p>1 understanding causes of death, patterns in the death</p> <p>2 claims, perhaps speaking to claims personnel within</p> <p>3 the company or the underwriting personnel. There</p> <p>4 could be a number of sources of that information.</p> <p>5 Q. Would that include looking to how the</p> <p>6 policies were underwritten?</p> <p>7 A. I think I mentioned that.</p> <p>8 Q. Okay. Are you aware if UFLA reviewed its</p> <p>9 death claims at a granular level to determine the cause</p> <p>10 of its adverse expected mortality?</p> <p>11 A. That was really beyond my scope. I</p> <p>12 didn't -- I didn't pursue that question.</p> <p>13 Q. All right. And then in paragraph 92 of</p> <p>14 your report, you say that regardless of whether the</p> <p>15 original pricing mortality assumption was believed to be</p> <p>16 too optimistic by Mr. Stern, it is not customary for an</p> <p>17 actuary developing redetermination assumptions to change</p> <p>18 the original pricing assumptions baseline simply because</p> <p>19 they believe that the original assumption was too</p> <p>20 optimistic or pessimistic. The original pricing</p> <p>21 baseline is based on the original pricing baseline. Did</p> <p>22 I read that correct?</p> <p>23 A. You did.</p> <p>24 Q. All right. So is it your opinion that</p> <p>25 actuaries during a COI redetermination should not review</p>	<p style="text-align: right;">Page 169</p> <p>1 A. It may be in some cases time that's not</p> <p>2 well spent because it may not change really the job</p> <p>3 that needs to be done from the standpoint of changing</p> <p>4 non-guaranteed elements.</p> <p>5 Q. Okay. But in other cases, it could be a</p> <p>6 good starting point. It just depends is what you're</p> <p>7 saying?</p> <p>8 A. I don't think there's a universal</p> <p>9 answer to that question.</p> <p>10 Q. Okay.</p> <p>11 MR. EVANS: All right. Is it all right</p> <p>12 if we take a short break?</p> <p>13 MR. MCDOWELL: You bet.</p> <p>14 MR. EVANS: All right.</p> <p>15 THE VIDEOGRAPHER: The time is now four</p> <p>16 p.m. we're going off the record.</p> <p>17 (Brief recess.)</p> <p>18 THE VIDEOGRAPHER: The time is now 4:12</p> <p>19 p.m. We're back on the record.</p> <p>20 (Whereupon, Plaintiff's</p> <p>21 Exhibit 68 was previously marked</p> <p>22 for identification.)</p> <p>23 Q. (BY MR. EVANS:) All right. Mr. Pfeifer,</p> <p>24 I'm going to pull up Exhibit 68 which is USFL 132939 and</p> <p>25 this is USFL's 2014 NGE statement. And then if you look</p>

<p style="text-align: right;">Page 190</p> <p style="text-align: center;">C E R T I F I C A T E</p> <p>STATE OF ALABAMA) MOBILE COUNTY)</p> <p>I hereby certify that the above proceedings were taken down by me and transcribed by me and that the above is a true and correct transcript of the said proceedings given by said witness.</p> <p>I further certify that I am neither of counsel nor of kin to the parties nor in anywise financially interested in the outcome of this case.</p> <p style="text-align: center;">   JAN A. MANN  COMMISSIONER - NOTARY PUBLIC  ACCR NO. 321 </p>	<p style="text-align: right;">Page 192</p> <p>1 ERRATA for ASSIGNMENT #4356937</p> <p>2 I, the undersigned, do hereby certify that I have read the transcript of my testimony, and that</p> <p>3</p> <p>4 ___ There are no changes noted.</p> <p>5 ___ The following changes are noted:</p> <p>6</p> <p>Pursuant to Civil Procedure, Rule 30. ALA. CODE § 5-30(e) (2017). Rule 30(e) states any changes in form or substance which you desire to make to your testimony shall be entered upon the deposition with a statement of the reasons given for making them. To assist you in making any such corrections, please use the form below. If additional pages are necessary, please furnish same and attach.</p> <p>10</p> <p>11 Page ___ Line ___ Change _____</p> <p>12 _____</p> <p>13 Reason for change _____</p> <p>14 Page ___ Line ___ Change _____</p> <p>15 _____</p> <p>16 Reason for change _____</p> <p>17 Page ___ Line ___ Change _____</p> <p>18 _____</p> <p>19 Reason for change _____</p> <p>20 Page ___ Line ___ Change _____</p> <p>21 _____</p> <p>22 Reason for change _____</p> <p>23 Page ___ Line ___ Change _____</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 191</p> <p>To: David McDowell, Esq. Re: Signature of Deponent Timothy C. Pfeifer Date Errata due back at our offices: 1/21/2021</p> <p>Greetings:</p> <p>This deposition has been requested for read and sign by the deponent. It is the deponent's responsibility to review the transcript, noting any changes or corrections on the attached PDF Errata. The deponent may fill out the Errata electronically or print and fill out manually.</p> <p>Once the Errata is signed by the deponent and notarized, please mail it to the offices of Veritext (below).</p> <p>When the signed Errata is returned to us, we will seal and forward to the taking attorney to file with the original transcript. We will also send copies of the Errata to all ordering parties.</p> <p>If the signed Errata is not returned within the time above, the original transcript may be filed with the court without the signature of the deponent.</p> <p>Please Email the completed errata/witness cert page to readandsign@veritext.com or mail to Veritext Production Facility 2031 Shady Crest Drive Hoover, AL 35216 205-397-2397</p>	<p style="text-align: right;">Page 193</p> <p>1 Page ___ Line ___ Change _____</p> <p>2 _____</p> <p>3 Reason for change _____</p> <p>4 Page ___ Line ___ Change _____</p> <p>5 _____</p> <p>6 Reason for change _____</p> <p>7 Page ___ Line ___ Change _____</p> <p>8 _____</p> <p>9 Reason for change _____</p> <p>10 Page ___ Line ___ Change _____</p> <p>11 _____</p> <p>12 Reason for change _____</p> <p>13 Page ___ Line ___ Change _____</p> <p>14 _____</p> <p>15 Reason for change _____</p> <p>16</p> <p>17</p> <p>18 _____</p> <p style="text-align: center;">DEPONENT'S SIGNATURE</p> <p>19</p> <p>Sworn to and subscribed before me this ___ day of</p> <p>20 _____, _____.</p> <p>21 _____</p> <p>22 _____</p> <p>23 NOTARY PUBLIC / My Commission Expires: _____</p> <p>24</p> <p>25</p>

Federal Rules of Civil Procedure

Rule 30

(e) Review By the Witness; Changes.

(1) Review; Statement of Changes. On request by the deponent or a party before the deposition is completed, the deponent must be allowed 30 days after being notified by the officer that the transcript or recording is available in which:

(A) to review the transcript or recording; and

(B) if there are changes in form or substance, to sign a statement listing the changes and the reasons for making them.

(2) Changes Indicated in the Officer's Certificate. The officer must note in the certificate prescribed by Rule 30(f)(1) whether a review was requested and, if so, must attach any changes the deponent makes during the 30-day period.

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VERITEXT LEGAL SOLUTIONS  
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Veritext Legal Solutions represents that the foregoing transcript is a true, correct and complete transcript of the colloquies, questions and answers as submitted by the court reporter. Veritext Legal Solutions further represents that the attached exhibits, if any, are true, correct and complete documents as submitted by the court reporter and/or attorneys in relation to this deposition and that the documents were processed in accordance with our litigation support and production standards.

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